

**DEPARTMENT OF TAXATION
2008 Fiscal Impact Statement**

1. **Patron** Stephen H. Martin

2. **Bill Number** SB 783

3. **Committee** Senate Finance

House of Origin:

Introduced

Substitute

Engrossed

4. **Title** Real Property Taxes; Rates.

Second House:

In Committee

Substitute

Enrolled

5. Summary/Purpose:

This bill would require localities to fix property tax rates for the forthcoming year at least 30 days prior to approval of the budget, with separate public notices and separate public hearings for the property tax rate and budget. If a reassessment resulted in an increase in real estate tax revenues from the previous year, this bill would require a locality adopt a rate that would generate no more than the previous year's real property tax levies. If the locality seeks to adopt a real estate tax rate that would generate more than the prior year's real estate tax revenue, this bill would require the locality hold a hearing to increase the rate 30 days after lowering the rate.

Currently, localities must fix property tax rates no later than the date that the ensuing fiscal year begins. The annual growth in a locality's total real estate tax revenue from an annual assessment, biennial assessment or general reassessment is capped at one percent unless the locality holds a public hearing in regard to its real property tax rate, in which case there is no cap on real property tax rates.

The provisions of this bill would apply to real property tax rates for tax years beginning on or after January 1, 2009.

6. No Fiscal Impact.

7. **Budget amendment necessary:** No.

8. Fiscal implications:

This bill would have no impact on state or local revenues.

9. **Specific agency or political subdivisions affected:** All localities.

10. **Technical amendment necessary:** No.

11. Other comments:

Local Government Budgets

All officers and heads of departments, offices, divisions, boards, commissions, and agencies of every locality must prepare and submit to the governing body an estimate of the amount of money needed during the ensuing fiscal year on or before the first day of April of each year. The governing body must prepare and approve a budget for informative and fiscal planning purposes only, containing a complete itemized and classified plan of all contemplated expenditures and all estimated revenues and borrowings for the locality for the ensuing fiscal year. The governing body must approve a budget and fix a tax rate for the budget year no later than the date on which the fiscal year begins.

Real Property Tax Rates

Currently, when an annual assessment, biennial assessment or general reassessment of real property by a locality would result in an increase of one percent or more in the total real property tax levied, the locality must reduce its real estate tax rate so as to produce no more than 101 percent of the previous year's total real property tax revenues. Additional assessments or reassessments due to the construction of new or other improvements are excluded from this calculation. As an alternative to lowering the tax rate to the calculated rate, the governing body of the locality may, after holding a public hearing, vote to set the real estate tax rate at a different rate, which may be higher or lower than the calculated rate. State law does not limit this rate.

Proposal

This bill would require localities to fix property tax rates for the forthcoming year at least 30 days prior to approval of the budget, with separate public notices and separate public hearings for the property tax rate and budget. If a reassessment resulted in an increase in real estate tax revenues from the previous year, this bill would require a locality adopt a rate that would generate no more than the previous year's real property tax levies. If the locality seeks to adopt a real estate tax rate that would generate more than the prior year's real estate tax revenue, this bill would require the locality hold a hearing to increase the rate 30 days after lowering the rate.

As this bill requires localities to reduce their real property tax rates to a rate that would generate no more revenue than in the prior fiscal year, this bill would eliminate provisions outlining the form and content criteria of the notice advertising the hearing that informs taxpayers of the percentage increase in real property tax levy.

Similar Legislation

House Bill 927 is identical to this bill.

House Bill 74 would require a locality seeking to adopt a real estate tax rate that would generate more than the prior year's real estate tax revenue to (1) adopt a rate that would

generate no more than the previous year's real property tax levies and (2) after 30 days, hold a hearing to increase the rate.

House Bill 102 would provide that the total tax real estate tax revenue in a locality not exceed (1) 101% of the total real estate tax revenue in the locality in the immediately prior year unless approved by at least a majority vote of the local governing body and (2) 105% of the total real estate tax revenue in the locality in the immediately prior year unless approved by at least a two-thirds majority vote of the local governing body.

House Bill 1009 and **Senate Bill 779** (identical) would (1) require localities to include in the assessment notice the tax rate that will apply to reassessed real property; (2) require localities to include in the bill comparative information regarding tax rates, assessed values, and tax amounts owed for the current year and the previous year; and (3) permit taxpayers to defer a portion of the increase in real property taxes on the primary dwelling owned and occupied by the taxpayer until the property is transferred or until the taxpayer's death.

House Bill 1036 would require localities to (1) fix tax rates for the forthcoming tax year at least 30 days prior to approval of the budget for the year, with separate public notices and separate public hearings; (2) attach to each real and personal property tax bill information showing how the amount of the tax bill has been apportioned in the current fiscal year on the major categories of spending; and (3) include in the bill comparative information regarding tax rates, assessed values, and tax amounts owed for the current year and the previous year.

House Bill 1560 require all localities to provide a real property tax deferral program for real property tax increases that exceed 105 percent of the previous year's tax on the property under the terms and conditions set forth by local ordinance.

Senate Bill 334 would require localities to (1) attach to each real and personal property tax bill information showing how the amount of the tax bill has been apportioned in the current fiscal year on the major categories of spending; and (3) include in the bill comparative information regarding tax rates, assessed values, and tax amounts owed for the current year and the previous year.

Senate Bill 774 provides that if the tax rate that will apply to the new assessed value has not been established at the time of the mailing of the notice of change in assessment, then the notice must indicate where the date, time, and other information regarding the public hearing may be obtained.

cc : Secretary of Finance

Date: 1/28/2008 jkl
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